**PUBLIC DOCUMENT**
**TRADE SECRET DATA EXCISED**

**STATE OF MINNESOTA**
**BEFORE THE**
**MINNESOTA PUBLIC UTILITIES COMMISSION**

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Docket No. E-015/M-19-_____

In the Matter of a Petition for Approval of an Amended and Restated Electric Service Agreement Between Blandin Paper Company and Minnesota Power

**PETITION OF MINNESOTA POWER**

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## SUMMARY OF FILING

Minnesota Power has filed a Petition for Approval of an Amended and Restated Electric Service Agreement ("Agreement") which provides for Blandin Paper Company's ("Blandin") commitment to purchase all of its electric service requirements from Minnesota Power. The Petition describes the Agreement and summarizes the benefits to both parties.

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## I. INTRODUCTION

Minnesota Power is filing this Petition for Approval of an Amended and Restated Electric Service Agreement ("Agreement") with Blandin Paper Company ("Blandin") dated October 30, 2018. As explained in detail in Section III below, the Agreement reflects the commitment from Blandin to purchase all of its electric service requirements from Minnesota Power through at least 2029 at Blandin's pulp and papermaking facilities at Grand Rapids, Minnesota ("Grand Rapids facilities"). The new Agreement is the result of Blandin permanently shutting down one of two paper machines at the Grand Rapids facilities. Minnesota Power will continue to operate Rapids Energy Center ("Rapids") as a co-generation facility that provides Blandin with the electricity generated by Rapids, as well as the steam and compressed air requirements necessary for Blandin to run the paper mill. The Grand Rapids facilities produces Light Weight Coated (LWC) publication papers used for catalogs, magazines, advertising inserts and other commercial products.

The Agreement provides Blandin with additional operating flexibility and cost reduction potential, while protecting Minnesota Power's other customers through an extended full requirements contract and weekly billing. This Agreement also supports the business strategy of an important regional industrial employer. The Petition describes the Agreement, attached as Attachment A, and summarizes the benefits to both parties. As explained in detail in Section III below, the Agreement reflects the commitment from Blandin to purchase electric service requirements from Minnesota Power through at least 2029.

Minnesota Power and Blandin had previously entered into a restated electric service agreement dated August 30, 2007 ("2007 Restated Agreement") which the Commission subsequently approved.[1] It should be noted that the Agreement is substantially similar in terms to the 2007 Restated Agreement except for provisions that place Blandin on weekly billing and other modifications related to the paper machine permanent closure. In 2012, Minnesota Power and Blandin entered into an amended and restated agreement that was ultimately withdrawn by the Company due to the Commission's denial of a related petition to have Rapids a regulated, rate-based utility asset.[2] If the new Agreement is approved by the Commission, it will supersede the 2007 Restated Agreement effective upon Commission approval.

## II. PROCEDURAL ISSUES

In compliance with Minn. Stat. § 216B.05 of the Minnesota Public Utilities Act and the Commission's rules promulgated thereunder, Minnesota Power files this Petition for Approval of Amended and Restated Electric Agreement in Minnesota Power's tariff book in Volume II, Section VII thereunder "Contracts not on Standard Form." This means that upon Commission approval, the Agreement will become part of Minnesota Power's tariff book. Minn. Stat. § 216B.05, subd. 2a requires that:

> A contract for electric service entered into between a public utility and one of its customers, in which the public utility and the customer agree to customer-specific rates, terms, or service conditions not already contained in the approved schedules, tariffs, or rules of the utility, must be filed for approval by the commission pursuant to the commission's rules of practice. Contracts between public utilities and customers that are necessitated by specific statutes in this chapter must be filed for approval under those statutes and any rules adopted by the commission pursuant to those statutes.

For this Petition, the customer-specific terms and service conditions under the Agreement are spelled out in Section III.[3] Under the Commission's Rules of Practice and Procedure, filings that do not require a determination of a utility's revenue requirement constitute "miscellaneous tariff filings" under Minn. Rules 7829.1300, and the Commission has treated all of Minnesota

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[1] Docket E015/M-07-1457.

[2] Docket Nos. E015/M-12-1348 and Docket No. E015/M-12-1349.

[3] This Petition is also intended to comply with the Commission's February 26, 2009 Order in Docket No. E015/M-08-1344).

Power's electric service agreements under the filing requirement, notice and comment provisions of this Rule. Additional information required by Minn. Rule 7829.1300 is provided below.

## A. General Filing Information

### 1. Summary of Filing (Minn. Rules 7829.1300, subp. 1)

A one-paragraph summary accompanied the Petition.

### 2. Service on Other Parties (Minn. Rules 7829.1300, subp. 2)

Pursuant to Minn. Stat. § 216.17, subd. 3 and Minn. Rules 7829.1300, subp. 2, Minnesota Power eFiles the Petition on the Department of Commerce – Division of Energy Resources and serves a copy on the Minnesota Office of the Attorney General – Antitrust and Utilities Division. A summary of the filing prepared in accordance with Minn. Rules 7829.1300, subp. 1 is being served on all parties on its Large Power Service list.

### 3. Name, Address and Telephone Number of Utility (Minn. Rules 7829.1300, subp. 3(A))

Minnesota Power
30 West Superior Street
Duluth, MN 55802
(218) 722-2641

### 4. Name, Address and Telephone Number of Utility Attorney (Minn. Rules 7829.1300, subp. 3(B))

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### 5. Date of Filing and Date Proposed Rate Takes Effect (Minn. Rules 7829.1300, subp. 3(C))

The Petition is being filed on January 9, 2019. Minnesota Power requests that the Agreement be effective on the first day of the calendar month following Commission approval. To the extent allowed by the Commission, Minnesota Power requests an effective date consistent with Minn. Stat. § 216B.16, subd. 1 that allows new rates to be implemented within 60 days after notice, recognizing Minn. Rules 7825.3200 requires notice at least 90 days prior to a change in rates for miscellaneous filings.

**6. Statute Controlling Schedule for Processing the Filing (Minn. Rules 7829.1300, subp. 3(D))**

This Petition is made in accordance with Minn. Stat. § 216B.05 and no statutorily imposed time frame for a Commission decision applies to this filing.

**7. Utility Employee Responsible for Filing (Minn. Rules 7829.1300, subp. 3(E))**

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**8. Impact on Rates and Services (Minn. Rules 7829.1300, subp. 3(F))**

The Petition in and of itself will have no effect on Minnesota Power's base rates.

**9. Service List (Minn. Rules 7829.0700)**

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## B. Trade Secret Designation (Minn. Rule 7829.0500)

Pursuant to Minn. Stat. §§ 13.01 et seq. and Minn. Rule 7829.0500, Minnesota Power has designated portions of the Petition and the attached Attachment A as containing Trade Secret Information and these have been redacted as appropriate to reflect the Trade Secret nature of the documents. Trade Secret and Public copies of the Petition and Attachment A are being eFiled in accordance with the Commission's Rules and Minn. Stat. § 216.17, subd. 3. A statement regarding justification for excising Trade Secret information accompanies this Petition.

## III. THE AGREEMENT

Significant individual provisions of the Agreement are reviewed and explained below. This discussion addresses the Commission's directive in Docket No. E015/M-08-1344 that Minnesota Power analyze how the terms of the Agreement integrate with Minnesota Power's Large Power ("LP") Service Schedule. First, and critically important to Minnesota Power and its other ratepayers, is Blandin's agreement to purchase its electric service requirements for its Grand Rapids facilities from Minnesota Power through at least 2029. Second, the Agreement modifies Blandin's Large Power Incremental Production Service Threshold to allow more effective management of electric use at its Grand Rapids facilities. This is helpful for both energy usage and production efficiency in a very challenging economic environment for paper facilities. Third, the Agreement provides additional risk protections for Minnesota Power through customer billing modifications.

### 1. Paragraph 2. Term of Agreement

Paragraph 2 of the Agreement expressly provides that Blandin will purchase all of its electric service requirements for its Grand Rapids facilities from Minnesota Power through at least 2029, without any prior right of termination. The LP Service Schedule does not have a provision related to all electric service requirements except that customers who take service under the LP Service Schedule must abide by any terms agreed to in an electric service agreement, subject to Commission approval. In addition, the LP Service Schedule sets forth that "Unless otherwise specifically approved by the Commission, each ESA shall have an initial minimum term of ten

(10) years…" This Agreement, if approved, will have a ten-year term, though this Agreement is not an initial term and this provision in the LP Service Schedule does not directly apply to Blandin.

If approved, the Agreement continues after 2029 on a rolling four-year basis until a cancellation notice is issued by either party. The four-year cancellation period complies with the standard LP Service Schedule that states electric service agreements "shall continue in force and effect until either party gives the other party written notice of cancellation at least four years prior to the time such cancellation shall be effective."

This extension is significant considering the current Blandin Agreement is in the "rolling" four-year notice of cancellation phase from the date of written notice, with the current earliest possible termination date January 31, 2023. With this new commitment from a large industrial customer, Minnesota Power gains tremendous additional certainty regarding its ability to manage generating capacity and plan for future needs of all its ratepayers.

2. Paragraph 3(G) – Large Power Incremental Production Service

Second, the Agreement modifies Blandin's Large Power Incremental Production Service Threshold ("IPS Threshold") to allow more effective management of electric use at its Grand Rapids facilities. The IPS Threshold set in the 2007 Restated Agreement does not reflect Blandin's current operations with only one paper machine operating. The LP Service Schedule does not address IPS Threshold. With this Agreement Minnesota Power and Blandin are working to support the long term competitive position of the Grand Rapids facilities.

Blandin will continue to be able to purchase Incremental Production Service under the Rider for Large Power Incremental Production Service ("IPS Rider"). This IPS Rider is applicable to customers taking service under the LP Service Schedule that have electric service agreements with "a minimum term of at least four (4) years". As discussed above, Blandin's current 2007 Restated Agreement has a four-year term. In addition, the LP Service Schedule requires that every electric service agreement shall include "An Incremental Production Service Threshold as defined in the Rider for Large Power Incremental Production Service, as applicable." See LP Service

Schedule at Section V, Page 24. Blandin's 2007 Restated Agreement includes an IPS Threshold that is just modified by the Agreement.

3. Paragraph 4(E) – Weekly Prepayment.

The Agreement provides that Blandin agrees to weekly prepayment for the term of the Agreement. As currently approved, the existing Rider for Expedited Billing Procedures ("Rider") is applicable to 'taconite producing customers taking Large Power Service' and there is not an applicable tariff that applies to Blandin. The weekly prepayment program beneficially reduces the Company's payment risk.

4. Paragraph 3(F) – Allowance for Scheduled Maintenance

As with other recent Electric Service Agreements, this Agreement allows Blandin flexibility in scheduling maintenance that reflects Blandin's operating needs. Paragraph 3(F) will enable Blandin to provide Minnesota Power with two days advance notice of scheduled maintenance shutdowns, and then to reduce its billing demand to its measured demand. Blandin's reduction in "kW-Days" shall not exceed **[TRADE SECRET DATA EXCISED]** "kW-Days" in any calendar year, and the minimum billing demand shall not fall below **[TRADE SECRET DATA EXCISED]**. As provided in Paragraph 3(F), one "kW-Day" reflects a 1 kW reduction in demand for one 24-hour period. This provision is consistent with the maintenance allowances of other LP customers, while recognizing Blandin's updated operating characteristics and maintenance needs. The LP Service Schedule does not have a provision related to Schedule Maintenance, but the Commission has previously approved scheduled maintenance provisions for Blandin and other LP customers.

5. Paragraph 3(J) – Decreases in Service Requirement

Paragraph 3(J) allows for reductions in the take-or-pay Firm Demand levels to **[TRADE SECRET DATA EXCISED]** in the event of a permanent facility shutdown. This provision provides Minnesota Power limited protection that even if Blandin permanently shuts down its Grand Rapids facilities, it will continue to pay demand charges for **[TRADE SECRET DATA**

**EXCISED]**. The LP Service Schedule does not address decreases in service requirement for permanent facility shutdowns.

## IV. PUBLIC INTEREST

Minnesota Power's contractual arrangements with its LP customers have always created significant fixed cost recovery assurances upon which Minnesota Power and its ratepayers could depend. This Agreement continues and extends these fixed cost recovery assurances to a specific customer segment (graphic papers) that is competing in a very challenging market where prices are set globally while also providing Blandin with competitive electric service and operational flexibility under the LP Schedule. Under the Agreement Minnesota Power will continue to realize a minimum of **[TRADE SECRET DATA EXCISED]** in demand revenues alone between January 2019 and December 2029. With the Agreement Minnesota Power expects Blandin to purchase more electric power and energy than the demand purchases that are minimally guaranteed under the existing Agreement. Minnesota Power has developed a more typical operating scenario for the Commission to consider, in order to reflect the extent of the benefits that Minnesota Power expects to receive during the extended term of this Agreement. Blandin has and continues to make investments to upgrade its production facilities and reduce operation costs and during the last several years the Grand Rapids facilities operated at **[TRADE SECRET DATA EXCISED]**. At these levels with the single remaining paper machine, and with the new IPS provisions contained in the Agreement, Blandin will have nominal demand of about **[TRADE SECRET DATA EXCISED]**. If production continues at these levels, Minnesota Power will receive more than **[TRADE SECRET DATA EXCISED]** in demand revenues alone during the extended term of the Agreement.

As the preceding analysis demonstrates, Blandin's minimum service requirement commitments are very significant. When these commitments are coupled with Blandin's obligation to purchase its electric service needs from Minnesota Power through at least 2029, as provided in the Agreement, all of Minnesota Power's other ratepayers will find themselves in a better situation than they would otherwise be without this Agreement. No one knows what events await Minnesota Power's other LP customers who play such a critical role in Minnesota Power's financial well-being. As has regularly over the last decade, if Minnesota Power were to face the shutdown of any

LP customer, the scenario for all ratepayers would look much bleaker without this Agreement and the corresponding revenue assurances it provides.

In addition to benefits to Minnesota Power and its other customers, the Agreement will benefit Blandin since it will improve its production costs by reducing the cost of electric service and by allowing more flexibility to match Blandin's operational requirements while encouraging incremental production via access to IPS energy. The positive impacts that this Agreement will bring to all interested parties are significant and far reaching. Minnesota Power and its ratepayers stand to benefit from the long-term commitments that Blandin has provided regarding its electric service needs. Blandin stands to gain from continuing to receive electric service at competitive rates as well as obtaining additional operational flexibility.

In addition to the parties directly affected, this Agreement is supportive of the regional economy in that it is beneficial to a major regional industrial operation and employer, especially in Itasca County. Blandin employees **[TRADE SECRET DATA EXCISED]** full time workers with an annual payroll of **[TRADE SECRET DATA EXCISED]**. According to Blandin, the positive economic impact on northeast Minnesota is estimated at more than **[TRADE SECRET DATA EXCISED]** annually.

The benefits mentioned in the preceding paragraphs will be realized without any changes to rates provided in Minnesota Power's approved tariffs. The terms of this Agreement are appropriate given Minnesota Power's and Blandin's needs and unique circumstances. In accordance with the requirements of Minn. Stat. §§ 216B.03, .06, and .07, Minnesota Power has always applied the Large Power Service Schedule and the service agreements it enters into thereunder in a fair and equitable manner between and among its LP customers. Minnesota Power intends to continue this practice by making similar terms and conditions available to other LP customers who are similarly situated.

Finally, the Agreement is in the public interest because Commission approval ensures Minnesota Power receives additional protection in the event of financial changes by Blandin, while at the same time ensuring that Blandin can continue its Grand Rapids facilities under an Agreement that allows it rate and operational flexibility to meet its production goals in an extremely competitive global market. For all the reasons set forth above, the Agreement meets the public interest requirements of the Minnesota Public Utilities Act.

## V. CONCLUSION

The positive impacts that this Agreement will bring to all interested parties are significant and far reaching. Minnesota Power and its ratepayers stand to benefit from the long-term commitments that Blandin has provided regarding its electric service needs. Blandin stands to gain from continuing to receive electric service at reasonable rates through maintaining operational flexibility. In addition to the parties directly affected, this Agreement is supportive of the regional economy in that it is beneficial to a major regional industrial operation and employer, especially in northeastern Minnesota. For all of the reasons set forth in this Petition, Minnesota Power respectfully requests that the Commission issue an Order approving this Petition and the Agreement.

Dated: January 9, 2019

Respectfully submitted,

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PUBLIC DOCUMENT
TRADE SECRET DATA EXCISED

# AMENDED AND RESTATED ELECTRIC SERVICE AGREEMENT BETWEEN BLANDIN PAPER COMPANY AND MINNESOTA POWER

**THIS AGREEMENT,** entered into this _____ day of _______ 2018, between BLANDIN PAPER COMPANY, ("Customer"), and MINNESOTA POWER, an operating division of ALLETE, Inc., ("Company"), such parties also being hereinafter referred to individually as "Party" or collectively as the "Parties."

**WHEREAS,** Company and Customer are parties to an Amended and Restated Electric Service Agreement dated August 30, 2007, by which Company agreed to deliver and Customer agreed to purchase electric power and energy; and

**WHEREAS,** Customer permanently shut one of two paper machines at the mill, Paper Machine #5, at the end of December 2017; and

**WHEREAS**, the Parties now desire to enter into a new Amended and Restated Electric Service Agreement to reflect Customer's reduced operations and other updates and modifications.

**NOW THEREFORE,** in consideration of these premises and of the mutual agreements previously made, the Parties hereby enter into this Amended and Restated Electric Service Agreement ("Agreement") as follows:

## 1. <u>DEFINITIONS</u>

Definitions of terms to be used throughout this Agreement are as follows:

**A. Base Electric Supply ("BES")** means the sum of the Service Requirement in effect during a given month and the Maximum Replacement Amount in effect during the same given month during the term of this Agreement. The BES shall be adjusted for any succeeding month to reflect changes in the Service Requirement pursuant to Paragraph 3, or to reflect changes in the Maximum Replacement Amount as provided in Paragraph 1 (P).

**B.** **Blandin Facilities and Equipment** shall mean the paper and pulp making equipment and capacity in existence and used as of the Effective Date of this Agreement.

**C.** **Commission** shall mean the Minnesota Public Utilities Commission.

**D.** **Minimum Billing Demand** shall be the kW established in Paragraph 3(B) and shall be synonymous with Firm Power Billing Demand for purposes of applying the Large Power Service Schedule.

**E.** **Department** shall mean the Minnesota Department of Commerce - Division of Energy Resources.

**F.** **Energy** shall mean the electric consumption requirement measured in kilowatt-hours ("kWh").

**G.** **Excess Energy** shall be the Energy (measured in kWh) taken by Customer in the billing month which is in excess of the Firm Power Energy, limited to no more than the difference between its Service Requirement and Minimum Billing Demand in any hour.

**H.** **Firm Power** is the kW of demand established as the Minimum Billing Demand in Paragraph 3(B).

**I.** **Holidays** shall mean New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving, Christmas Eve Day, Christmas Day, and New Year's Eve Day.

**J.** **Incremental Cost** is the additional cost to the Company to generate and supply Economy Energy to the Customer. The Incremental Cost shall consist of the Company's hourly incremental energy costs during the time of the sale including MISO Operator (or successor) costs incurred by the Company. Incremental energy costs are determined after first assigning lower cost energy to all firm retail and firm wholesale customers. The Incremental Cost per kilowatt-hour shall be the total of the costs divided by the kilowatt-hours of Economy Energy scheduled for delivery to Customer.

**K.** **Incremental Production Service** shall mean service provided under the Rider for Large Power Incremental Production Service as set forth therein and in Paragraph 3(G). The Rider for Large Power Incremental Production Service shall mean the Rider approved by the Commission on February 4, 1999, in Docket No. E015/M-98-1414 or a superseding rider or another applicable tariff or schedule.

**L.** **Incremental Production Service Threshold ("IPST")** shall mean the Incremental Production Service Threshold as defined in the Rider for Large Power Incremental Service and Paragraph 3(G).

**M.** **Incremental Service Requirement ("Excess Power")** shall be the kW of scheduled Service Requirement in the month in excess of the Firm Power (Minimum Billing Demand) as specified in Paragraph 3(B) and shall be synonymous with Excess Power Billing Demand for purposes of applying the Large Power Service Schedule.

**N.** **kW-day** shall have the meaning provided in Paragraph 3(F).

**O.** **Large Power Service Schedule** shall mean the Company's Large Power Service Schedule as approved by the Commission in Docket No. E-015/GR-16-664, or any Commission-approved tariff or schedule that replaces or supersedes the Large Power Service Schedule. The applicability of the Large Power Service Schedule to this Agreement shall be governed by a Paragraph 3(K).

**P.** **Maximum Replacement Amount ("MRA")** is the MISO Accredited Capacity of the Behind the Meter Generation divided by 1.15.

**Q.** **Metered Demand** shall mean the kilowatts measured during the 60-minute period of Customer's greatest use during the month. The Metered Demand shall include the combined coincident demands of the kilowatts delivered from Company from facilities other than the BTMG and the kilowatts provided from the BTMG.

**R.** **MISO** shall mean the Midcontinent Independent System Operator or its successor organization.

**S.** **Economy Energy** means scheduled energy purchased by Customer from Company in lieu of scheduling energy from one or more of Company's Behind the Meter Generation, which are operating or operable within 12 hours' notice or some new requirement as may be required by MISO. Economy Energy may be supplied by Company in its sole discretion and is only available to Customer if Company is providing process steam to Blandin Facilities and Equipment under a separate steam services agreement.

**T.** **Behind the Meter Generation ("BTMG")** refers to steam turbine generators No. 6 and 7 and hydro generation, which generation is used by the Blandin Facilities and Equipment, and which were previously owned by Customer and were purchased by Company pursuant to the Asset Purchase Agreement dated November 23, 1999.

**U.** **Paragraph** shall mean a paragraph set forth in this Agreement unless the paragraph is specifically referenced as being contained in another document.

**V.** **Point of Delivery** shall be where Company's wires attach to Customer's wires at Customer's dead ends on Customer's 115,000 volt substation located in Government Lot 4 of

Section 21, T55N, R25W, Itasca County, Minnesota. Power supplied to Customer shall be three (3) phase, 60 Hz, at 115,000 volts.

**W.** **Power** shall mean the electric demand requirement measured in kilowatts ("kW").

**X.** **Replacement Firm Power Service (RFPS)** means capacity and energy, in excess of the Firm Power and Firm Power Energy taken under the terms of this Agreement, to be purchased by Customer from the Company at any time during the term of this Agreement for Customer's use in operating the Blandin Facilities and Equipment during periods when Customer is unable to purchase Economy Energy due to the unavailability of the BTMG or Company's determination that such sales are impractical or uneconomic. Customer shall be under no obligation to purchase RFPS, and Company shall be under no obligation to provide RFPS in an amount greater than the Maximum Replacement Amount as defined in Paragraph 1(P) nor shall Company be obligated to provide RFPS to Customer unless Company is providing process steam to the Blandin Facilities and Equipment under a separate steam services agreement.

**Y.** **Service Requirement** shall mean the sum of the Firm Power (Minimum Billing Demand) and the Incremental Service Requirement (Excess Power) as established in Paragraph 3(A).

**Z**. **Nomination Period** shall mean the four-month periods beginning May 1, September 1, and January 1. Uniform Nomination Period Increases and Non-Uniform Nomination Period Increases shall have the meanings given in Paragraphs 3(D)(i) and 3(D)(ii), respectively.

Other terms used in this Agreement which are not defined in this Paragraph shall have the definitions provided in the Large Power Service Schedule, any applicable Riders thereto, the Company's Electric Service Regulations, applicable MISO tariffs, schedules or agreements, or any other applicable tariff or schedule as such terms may be defined therein.

## 2. TERM OF AGREEMENT

This Agreement shall become effective per Paragraph 4(Q) of this Agreement, with the initial term of this Agreement extending from ________ 1, 2019 through at least _______ 31, 2029. Service shall continue thereafter until and unless this Agreement is terminated in accordance with its terms. Either Party may terminate this Agreement by written notice to the other delivered at least four (4) years prior to termination.

During each Billing Month during the term of this Agreement, Customer shall be obligated to purchase all of its electric service requirements for the Blandin Facilities and Equipment from Company except to the extent that such electric service requirements are served by the BTMG on-site at the Rapids Energy facility. These electric service requirement commitments shall be in addition to and not in replacement of any other obligation arising under this Agreement, including, but not limited to, the Service Requirement, Minimum Billing Demand and Incremental Service Requirement and other commitments made in Paragraphs 3(A) through 3(C).

## 3. SERVICE UNDER THE LARGE POWER SERVICE SCHEDULE

**A. Service Requirement**. Customer agrees to purchase and pay Company for a Minimum Billing Demand of at least **[TRADE SECRET DATA EXCISED]**, subject to the provisions of Paragraph 3(B). Customer will also be entitled to nominate additional Demand pursuant to Paragraph 3(D) for purposes of creating an Incremental Service Requirement under Paragraph 3(C). The Minimum Firm Demand plus the Incremental Service Requirement shall be the Total Firm Demand. Customer agrees that once established, pursuant to the terms of Paragraph 3, Customer is obligated to pay Tariff demand charges associated with the Total Firm Demand until the Firm Demand is again modified pursuant to Paragraph 3. Except as otherwise specifically provided in Paragraph 3(C), Energy taken by Customer during each billing month attributable to the Total Firm Demand shall be considered Firm Power Energy and billed in accordance with the applicable provisions of the Large Power Service Schedule.

**B.** **Minimum Billing Demand**. With the exception of months with scheduled maintenance as provided in Paragraph 3(F), every month during the Term, Customer's Minimum Billing Demand shall not be less than **[TRADE SECRET DATA EXCISED]** of Service Requirement per month regardless of Customer's actual Power and Energy use or applicable rate schedule(s) during such period.

Except as otherwise provided in Paragraph 3(D) with respect to Non-Uniform Nomination Period Increases, Energy taken by Customer during each billing month attributable to the Minimum Billing Demand as stated above shall be considered Firm Power Energy and billed in accordance with the applicable provisions of the Large Power Service Schedule.

**C.** **Incremental Service Requirement**. During the Term of this Agreement the Incremental Service Requirement shall be that amount of Power nominated by Customer pursuant to Paragraph 3(D), and subject to adjustment under Paragraph 3(D) that is in excess of the Minimum Firm Demand.

Energy taken by Customer during each billing month attributable to the Incremental Service Requirement as stated above shall be considered Firm Power Energy and billed in accordance with the Large Power Service Schedule. Energy attributable to any Metered Demands in excess of the Service Requirement as provided in this Paragraph shall be billed as Economy Energy, RFPS energy or as Incremental Production Service energy, depending upon what type of energy has been scheduled and agreed to by Company and dependent upon the Customer's Metered Demand.

**D.** **Increases and Decreases in Service Requirements.**

i) Service Requirement Increases Prior to Nomination Period. Customer may elect to increase its Service Requirement to a uniform level (i.e., the same kW amount) for all four billing months in a Nomination Period or non-uniform levels (i.e., varying kW amounts) by providing Company with written notice on or before each successive March 1, August 1, and December 1 for subsequent Nomination Periods, respectively. Such elections will be considered "Uniform Nomination Period Increases" and "Non-Uniform Nomination Period Increases," respectively. Upon receipt of a Uniform Nomination Period Increase notice or Non-Uniform Nomination Period Increase notice from Customer, the Service Requirement and Minimum Billing Demand levels for each billing month in such Nomination Period set forth in Paragraphs 3(A) and 3(B) will be increased to the level specified in such notice. Energy taken by Customer during each billing month attributable to the increased Minimum Billing Demand levels established hereunder shall be considered Firm Power Energy and billed in accordance with the LP Schedule.

ii) <u>Service Requirement Increases During a Nomination Period</u>. Should Customer determine, after providing the notice required in Paragraph 3(D)(i), that a higher level of Service Requirement is necessary, Customer may elect to increase the Minimum Billing Demand for one or more billing months within the Nomination Period by providing Company with written notice prior to the start of the billing month in which the increased Service Requirement is needed. Upon receipt of such notice from Customer, the Service Requirement and the Minimum Billing Demand levels for such billing month(s) will be increased to the kW level specified in Customer's notice. Energy taken by Customer during each billing month attributable to any Minimum Billing Demand levels established under this Paragraph shall be considered Excess Energy and billed in accordance with the Large Power Service Schedule.

iii) <u>Metered Demands In Excess of Established Service Requirement</u>. In the event Customer incurs Metered Demand for a billing month which exceeds the Service Requirement established under any of the provisions of Paragraph 3 for such billing month plus the allowable level of Incremental Production Service for such billing month, Customer's Minimum Billing Demand and Service Requirement for that billing month and all remaining billing months within that Nomination Period will be increased to match the level of Metered Demand incurred by Customer. Energy taken by Customer during each billing month attributable to any Minimum Billing Demand levels established under this

Paragraph 3(D)(iii), shall be considered Excess Power Energy and billed in accordance with the Large Power Service Schedule.

iv) Service Requirement Decreases During a Nomination Period. Should Customer determine, after providing the notice required in Paragraph 3(D)(i) or (ii), that a lower Service Requirement level is required, Customer may elect to decrease the Minimum Billing Demand and/or the Incremental Service Requirement levels set forth in Paragraphs 3(B) and/or 3(C) by a maximum of **[TRADE SECRET DATA EXCISED]** on a monthly basis by providing Company with written notice by **[TRADE SECRET DATA EXCISED]** prior month in which the decreased Service Requirement is required. Upon timely receipt of such notice from Customer, the Service Requirement, Minimum Billing Demand and/or Incremental Service Requirement levels for such billing month(s) set forth in Paragraph 3(A), 3(B) and/or 3(C), respectively, will be decreased to the kW level specified in Customer's notice. However, in no event shall the Service Requirement and the Minimum Billing Demand be reduced below the Minimum Billing Demand using this Paragraph 3(D)(iv).

v) No Limitation. Nothing in this Agreement shall be construed as limiting Customer's rights to increase the level of Service Requirement above **[TRADE SECRET DATA EXCISED]** for service to the Blandin Facilities and Equipment, provided the notice requirements of Paragraph 3(D)(i, ii, or iii) are met.

vi) Examples. Hypothetical examples of how this Paragraph 3(D) will be applied are contained in Exhibit A to this Agreement. Should there be any discrepancy between Exhibit A and the language of this Agreement, the language of this Agreement shall prevail.

**E. Retirement of BTMG or Addition of Paper Machines(s)**. a) If any portion of the BTMG is retired, the Parties agree that the Service Requirement level and Incremental Service Requirement level will be adjusted upward to reflect such retirement. b) If a new product is produced, or if new process equipment beyond current Blandin Facilities and Equipment is used to make paper, the Parties agree to enter into good-faith negotiations to arrive at a revised Electric Service Agreement to reflect the additional supply of electric power and energy required for such new process equipment.

**F.** **Allowance for Scheduled Maintenance**. Customer may elect to be billed at Customer's Metered Demand instead of at the Service Requirement for **[TRADE SECRET DATA EXCISED]** annual occurrences greater than **[TRADE SECRET DATA EXCISED]** hours' duration with two business day's prior notice to the Customer's maintenance shutdowns. The reduction in kW-Days resulting from any such elections shall not exceed **[TRADE SECRET DATA EXCISED]** in any calendar year, and under no circumstances can the provisions of this Paragraph be utilized to reduce Customer's Service Requirement to a level below **[TRADE SECRET DATA EXCISED]**. A kW-Day shall be calculated by multiplying the number of kilowatts by which Customer's Metered Demand is below the Service Requirement established pursuant to Paragraph 3 by the number of days that a maintenance shutdown lasts. In the event Customer provides notice to Company under the terms allowed in Paragraph 3(J), the provisions of this Paragraph 3(F) no longer apply.

For example:, if Customer's maintenance shutdown reduces Measured Demand to **[TRADE SECRET DATA EXCISED]** in a month in which Customer has established a **[TRADE SECRET DATA EXCISED]** Total Firm Demand, and the shutdown lasts for **[TRADE SECRET DATA EXCISED]** hours, Customer would have utilized **[TRADE SECRET DATA EXCISED]** of the **[TRADE SECRET DATA EXCISED]** allowance for that calendar year. Company must receive written notice no later than 12:00 noon two business days (excluding weekends and Holidays) prior to the start of each scheduled maintenance period. The billing months that include such maintenance periods will be prorated accordingly. If after issuing notice under the terms of this Paragraph, Customer wishes to reschedule the maintenance shutdowns, Customer may do so at the sole discretion of Company, which permission shall not be unreasonably withheld.

**G.** **Large Power Incremental Production Service**. Customer shall have the right to purchase Incremental Production Service from the Company whenever the Customer's Metered Demand exceeds the IPST under the terms of the Rider for Large Power Incremental Production Service. Energy attributable to any Metered Demand in excess of the IPST shall be billed as provided in the Rider for Large Power Incremental Production Service. The IPST shall initially be set at **[TRADE SECRET DATA EXCISED]**, and shall remain at this level unless the Service Requirement is increased in excess of **[TRADE SECRET DATA EXCISED]** by the provisions of Paragraph 3 or the IPST is adjusted to reflect changes in the Maximum Replacement Amount (estimated to be **[TRADE SECRET DATA EXCISED]** as provided in Paragraph 1(P). In such an event, the IPST shall be increased by an amount equivalent to the corresponding increase in the Service Requirement and increased or decreased by an amount equivalent to the corresponding increase or decrease in the Maximum Replacement Amount.

**H.** **Economy Energy Service.** Economy Energy may be supplied by Company to Customer when it is economical and practical for both parties to do so under the conditions set forth herein. Customer shall be entitled to purchase Economy Energy only up to the level of the difference in the Maximum Replacement Amount and the hourly output of generation for each turbine that is operating or operable within 12 hours' notice. Pricing for Economy Energy shall be an energy surcharge plus the Company's hourly Incremental Cost during the time of the sale as defined in Paragraph 1(J). The terms and conditions on which Economy Energy will be provided are as specified in Paragraph 3.

**I.** **Replacement Firm Power Service (RFPS).** Customer shall have the right to purchase RFPS for demands above the Service Requirement level and below the BES. The RFPS level may be increased or decreased to reflect changes in the Firm Power Service Level as provided in this Paragraph 3 and the Maximum Replacement Amount as provided in Paragraph 1(P). Customer shall pay Company **[TRADE SECRET DATA EXCISED]** per month as consideration for the Company's provision of services relating to RFPS for existing BTMG. If additional generation is installed during the term of this Agreement, the monthly charge will be increased by multiplying the **[TRADE**

**SECRET DATA EXCISED]** per month charge by the ratio of the Maximum Replacement Amount as calculated after the additional generation is added, to the Maximum Replacement Amount as calculated before the additional generation is added, in order to reflect the additional costs associated with Company providing generation support services. In no case shall the monthly charge be less than **[TRADE SECRET DATA EXCISED]** per month. The pricing for energy purchases by Customer, in conjunction with RFPS, shall be the greater of either**:** (i) $0.03/kWh; or (ii) 120% of Company's incremental energy cost as determined on an hourly basis. There shall be no additional capacity charges associated with the purchase of RFPS.

**J.** **Decreases in Service Requirement for Permanent Facility Shutdown.** In the event of an anticipated permanent cessation of operations of the Blandin Facilities and Equipment, Customer may notify Company in writing in advance of that permanent cessation of operations ("Notice of Permanent Facility Shutdown"), **[TRADE SECRET DATA EXCISED]**

**K.** **Applicable Rates and Riders**.

i) Customer will pay for service in accordance with Company's Large Power Service Schedule and any applicable Riders thereto in effect from time to time, except as otherwise provided in this Agreement. The Large Power Service Schedule 54/74 and all applicable Riders are attached hereto as Exhibit A and are incorporated by reference and made a part hereof. Said Schedules and Riders shall be replaced by any applicable superseding Schedules and Riders, and such new schedules and riders or other New Rates or prices shall become effective as soon as permitted by any regulatory body having jurisdiction, and such replacement will not require concurrence or acceptance by Customer.

ii) In the event that the Commission's regulatory responsibilities are altered and/or the Commission ceases to regulate the bundled retail electric service rates of Customer during the term of this Agreement, Customer and Company agree that all of the rates, terms, conditions and other provisions applicable to Company's sale of electric service to Customer then contained in any rate schedule, tariff, rider or electric service regulation shall, to the extent necessary to effectuate enforcement of this Agreement, be incorporated within and become part of this Agreement.

iii) With respect to rates and charges that are adjusted on a monthly or annual basis pursuant to Commission and/or Department oversight, under existing or modified rate schedules, riders, tariffs or service regulations, and which cannot continue to be adjusted by applying the rate schedules, riders, tariffs or service regulations because of the absence of regulatory oversight, Customer and Company agree to use good-faith efforts to promptly determine an appropriate substitute adjustment mechanism which most closely tracks the adjustment mechanism that can no longer be applied. Such adjustment mechanisms would include by way of example and not limitation, Fuel Clause Adjustments. In the event the parties are unable to reach an agreement on an appropriate substitute adjustment mechanism which most closely tracks the inapplicable adjustment mechanism within 60 days of the date legislation or administrative action invalidating the regulatory oversight became effective, the matter shall be submitted for arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association. The Parties agree that such Commercial Arbitration Rules will be varied if necessary to provide for three arbitrators, with one arbitrator to be selected by each Party and the third arbitrator to be selected by the other two arbitrators so chosen. The decision of the arbitrators shall apply retroactively to the date the adjustment mechanism ceased to be in effect.

**4. GENERAL**

**A. Strike Provision**. In the event the Blandin Facilities and Equipment operations are interrupted due to strike or illegal walkout, Customer may defer payment of **[TRADE SECRET DATA EXCISED]** of the Power charges during the first **[TRADE SECRET DATA EXCISED]** months or less of such interruption. Repayment of charges shall be made in **[TRADE SECRET DATA EXCISED]** equal monthly installments. The first such installment shall be due concurrent with the regular billing for electric service for the first full month following resolution of the work stoppage, with subsequent payments due concurrent with the following **[TRADE SECRET DATA EXCISED]** monthly billings for electric service. No interest shall be added to the deferred amount. No additional amount may be deferred during any period in which previously deferred demand or capacity charges are being repaid.

**B.** **<u>Operating Practices</u>**. Operating practices and standards of performance shall conform to those recognized as sound practices within the utility industry. In making delivery of power, Company shall exercise such care as is consistent with normal operating practice through the use of all available facilities to minimize the effects of sudden load fluctuation or other voltage or current characteristics as may be detrimental to Customer's operations. Customer shall not purchase capacity or energy from the Company for purposes of resale of said capacity or energy to any other entity.

**C.** **<u>Metering</u>**. All power and energy delivered hereunder by Company to customer shall be measured and recorded on Customer's metering equipment installed on the 115,000 volt side of Customer's substation at the Point of Delivery.

Each meter used hereunder shall be tested and calibrated by Company by comparison to accurate standards at approximate intervals of twelve (12) months. If a meter shall be found inaccurate, it shall be restored to an accurate condition or an accurate meter installed. Either Company or Customer shall have the right to request that a special test of metering equipment be made at any time. If any test made at the request of either Party discloses that the metering equipment tested is registering within 2% accuracy, the Party requesting the test shall bear the expense thereof. The expense of all other tests shall be borne by Company.

The results of all tests and calibrations shall be open to examination by both Parties, and a report of every test shall be furnished immediately to each Party. Any meter tested and found to be inaccurate by no more than 2% shall be considered to be accurate. If as a result of any test, any meter is found to be inaccurate in excess of 2%, then the previous reading of such meter shall be corrected according to the percentage of inaccuracy so found in accordance with the refund or charge provisions in Minnesota Rules 7820.3700.

**D.** **Billing**. Bills shall be rendered monthly and shall be payable on or before the due date indicated on each bill. If such day falls on a Saturday, Sunday or Holiday, the bill shall be due on the next business day following the Saturday, Sunday or Holiday. All payments shall be made via electronic transfer of funds or as otherwise designated by Company. In the event Customer desires to dispute all or any part of the charges submitted by Company, Customer shall nevertheless pay the full amount of the charges when due and give notification in writing within sixty (60) days from the date of the statement, stating the grounds on which the charges are disputed and the amount in dispute; provided, however, no dispute as to the accuracy of the charges will be entertained or considered unless written complaint with respect thereto is submitted by Customer to Company within sixty (60) days from the date upon which the statement for charges is presented; and Customer will not be entitled to any adjustment on account of any disputed charges which are not brought to the attention of the Company within the time and in the manner herein specified.

**E.** **Weekly Prepayment**. Customer agrees to make weekly prepayments via electronic transfer of funds or other measures acceptable to the Company. Weekly prepayments are due on Friday of each week in "same day funds." "Same day funds" means funds that are available for Company's use on the same day as the Due Date (Friday). Prepayments are applied to the bills for the month in which payments were received. The weekly prepayment will initially be set by dividing Customer’s lowest budgeted monthly electric bill, as calculated by Company, for the period beginning the Effective Date of this Agreement through the end of that year by five, and rounding up to the nearest increment of $10,000. The first weekly prepayment will be due the Friday of the first full week of the month the Effective Date of this Agreement.

> Example: If the Effective Date of this Agreement is July 1, 2019, the weekly prepayment will be calculated based on the lowest budgeted monthly electric bill for July 2019 – December 2019. If the lowest monthly bill is **[TRADE SECRET DATA EXCISED]**, the weekly prepayment would be **[TRADE SECRET DATA EXCISED]**.

The weekly prepayment for the forthcoming calendar year is determined annually by December 30 by dividing Customer's lowest budgeted monthly electric bill for the forthcoming year by five, and rounding up to the nearest increment of $10,000. Weekly prepayments for a future month(s) can be adjusted by agreement of both parties to account for unique significant operational changes to avoid significant under or overpayment. Customer will receive credit for payments reflecting the time value of funds made available to Company earlier than such funds otherwise would have been available under the Company's standard cycle as described in the Rider for Expedited Billing Procedures.

**F.** <u>**Continuity of Service**</u>. Company will use reasonable diligence to provide continuous service, but does not guarantee a constant supply of such power, and neither of the Parties to this Agreement shall be liable to the other party for any form of consequential damages, or for any direct damages in any way occasioned by matters beyond their control, including, but not limited to such matters as failure to perform under the terms hereof, if such failure is due to governmental or municipal action or authority, natural disaster, war, public enemies, strikes, acts of God, an order of any court granted in any bona fide legal proceeding or action, or any order of any commission or tribunal or administrative body having jurisdiction. Further, no Party shall be liable either directly or consequently, for interruption in delivery of service if such interruption is necessary for repairs or changes in the plant, generating equipment, transmission or distribution system of the Party whose duty it is to make delivery. If any part of the service furnished by Company under this Agreement is employed for the purpose of supplying power to be used in providing fire protection, Company assumes no obligation or liability whatsoever to maintain an adequate supply of power for such purposes, or for any damages to persons or property as a direct or indirect result of the failure to supply such power.

**G.** **New Rates and Services**. If Company offers new or lower rates, services, and/or other terms or conditions, including any energy intensive trade exposed rate pursuant to Minn. Stat. § 216B.1696 ("New Rates"), to other present or future members of the Large Power Class (or its successor), and such New Rates are approved by the Commission or other appropriate regulatory agency, if necessary, and, to the extent Customer's then existing contractual commitments, financial situation, and operating circumstances either are consistent with, or with Customer's agreement could be modified so as to be consistent with, the contractual commitments, financial situation and operating circumstances of such other customer(s); such New Rates will be made available to Customer through riders, tariffs, rate schedules or amendments to this Agreement as may be mutually agreed to by Customer and Company following negotiations to implement such New Rates as may be required by the provisions of the Minnesota Public Utilities Act (Minn. Stat. §216B.01 *et seq*.). The provisions of this Paragraph shall apply throughout the entire term of this Agreement notwithstanding any changes in the Minnesota Public Utilities Act or significant alteration of the Commission's regulatory responsibilities.

**H.** **Right of First Refusal**. If, at the time this Agreement terminates in accordance with Paragraph 2, Customer is permitted to obtain electric service from a supplier other than the Company, Company shall have the right of first refusal to provide service to the Customer and the Customer shall be obligated to purchase its entire service requirements (except to the extent that such electric service requirements are served by the BTMG) from Company if Company matches the total value to the Customer of another supplier's bona-fide written offer for its entire electric service requirements.

**I.** **Indemnification**. Except as provided herein or otherwise at law, each Party agrees to defend, indemnify, and hold harmless the other Party against any and all claims, liability, loss, damage, or expense caused by or resulting from the negligent acts or omissions of itself, or its employees or agents.

**J.** **Successors and Assigns**. This Agreement shall be binding upon the respective Parties, their successors and assigns, on and after the Effective Date; provided, however, that neither Party may assign this Agreement or any rights or obligations hereunder without the prior written consent of the other Party, which consent shall not be unreasonably withheld.

**K.** **Electric Service Regulations**. Company's Electric Service Regulations as hereto attached are made a part of this Agreement insofar as they are appropriate and applicable to and not inconsistent with this Agreement.

**L.** **Regulation and Administrative Approval**. Customer acknowledges that the rates to be charged to Customer are not fixed by the terms of this Agreement, but rather that the electric service made available by Company under the terms of this Agreement is provided pursuant to the rates (and other terms and conditions of service) set forth in Company's applicable Large Power Service Schedule, Riders applicable to service provided under the Large Power Service Schedule, and Company's Electric Service Regulations and/or other supplementary or superseding rate schedules, riders, and regulations in effect from time to time during the term of this Agreement. All tariffs are subject to change at any time during the term of this Agreement upon the approval of the Commission. Company and Customer agree that Company is free to propose to the Commission at any time during the term of this Agreement any change in the level of rates or modification to the applicable rate design of Company's rates that Company deems appropriate. Both Parties agree that they shall be bound by any new level of rates or rate design approved by the Commission and applicable to the electric service to be rendered by Company to Customer under this Agreement. In the event that any term or condition of service covered by this Agreement is not deemed to be subject to Commission regulation and approval, then any change or modification of that term or condition of service shall only be made by mutual agreement of the Parties. The Parties also acknowledge that this Agreement itself is considered by the Commission to be a tariff and is subject to approval by the Commission pursuant to Minnesota Statutes Section 216B.05, subdivision 2a. Company and Customer agree that by executing this Agreement, Customer is not, and should not be construed as, forfeiting or relinquishing any right that Customer has under applicable laws and regulations to: (a) oppose any petition or application by Company to add any new, or modify any existing, tariff, rate, schedule, rider or regulation that is or may become applicable to service under this Agreement; (b) file any petition or application with the Commission seeking to add any new, or modify any existing, tariff, rate, schedule, rider or regulation that is or may become applicable to service under this Agreement; (c) file any petition or application with the Commission seeking an interpretation or abrogation of any provision of this Agreement as being contrary to public policy or any specific law or regulation governing the provision of electric service by Company to Customer; or (d) otherwise participate in any proceeding before the Commission that may affect Customer's interests under this Agreement or its interests as a customer of Company.

**M.** **Changes in MISO**. In the event of a material change in MISO's (or any successor agency's) current load and capacity accreditation and rate determination responsibilities, the Parties shall in good faith determine the most appropriate substitute accrediting and rate or cost determination authority within six months of the date such a change was made or prior to the start of the next MISO planning period, whichever is earlier. No changes in MISO responsibilities shall materially and adversely affect either Parties' rights or obligations under this Agreement, however.

**N.** **Notices.** Any notice, election or other correspondence required or permitted under this Agreement shall become effective upon receipt and, except for invoices and payments, shall be deemed to have been properly given or delivered when made in writing and delivered personally to the authorized representative of the parties designated below, or when sent by mail, or nationally recognized overnight courier, and addressed to the authorized representative of the parties designated below at their specified address:

TO: Minnesota Power
Vice President – Customer Experience
30 West Superior Street
Duluth, MN 55802

TO: Blandin Paper Company
General Manager
115 S.W. First Street
Grand Rapids, MN 55744

**O. Confidentiality and Non-Disclosure.** No Party hereto shall disclose any information regarding any part of this Agreement not otherwise included in Company's Trade Secret Petition for Approval filed with the Minnesota Public Utilities Commission except to the extent that disclosure is required by law, required for evidentiary purposes in any legal proceeding relating to enforcement of this Agreement, required for filing reports with or furnishing information to the regulatory authorities having jurisdiction over Company and other appropriate governmental authorities, required for purposes of obtaining financing, or upon written consent of all parties to this Agreement. All Parties shall request regulatory bodies or governmental authorities to respect the confidentiality of this Agreement before making any disclosure to those bodies or authorities.

**P. Amendment and Restatement of Existing Agreements.** The Agreement for Electric Service Between Blandin Paper Company and Minnesota Power dated August 30, 2007, with all Supplements, Amendments and Revisions thereto is superseded, amended and restated, in its entirety upon the Effective Date of this Agreement.

**Q. Effective Date.** This Agreement shall be effective beginning the first of the month following receipt of a written Order from the Minnesota Public Utilities Commission approving this 2018 Agreement (the "Effective Date"). In the event this Agreement is not approved by the Commission, is approved subject to terms or conditions to which either Party objects or is revised or modified in any material respect by the Commission, Company and Customer agree immediately to make a good-faith effort to renegotiate the terms of this Agreement to accommodate regulatory requirements while maintaining the respective economic benefits to each Party as set forth in this Agreement. In the event that the Parties are unable to reach agreement on such modifications or revisions resulting from a regulatory denial, conditioned regulatory approval or material regulatory modification of this Agreement, this Agreement shall be null and void and electric service shall revert to the terms of the Agreement for Electric Service Between Blandin Paper Company and Minnesota Power dated August 30, 2007, with all Supplements, Amendments and Revisions thereto.

**R.** **Representation and Warranties.** Company and Customer represent and warrant to the other that: (i) they are duly organized and validly exist in good standing under the laws of their state of incorporation and have all requisite power and authority to enter into this Agreement and to carry out the terms and provisions thereof and hereof; and (ii) there is no action, proceeding, or investigation current or pending, and no term or provision of any charter, by-law, certificate, license, mortgage, indenture, contract, agreement, judgment, decree, order, statute, rule or regulation (except the regulatory approval requirements of Minn. Stat. §216B.01 *et. seq*.) which in any way prevents, hinders or otherwise adversely affects or would be violated by entering into and performing this Agreement.

**S.** **Previous Agreements, Amendments, Waiver and Captions**. Upon the Effective Date of this Agreement, this Agreement supersedes and replaces all prior electric service agreements between the Parties for electric service to the Blandin Facilities and Equipment and all subsequent amendments of those electric service agreements in their entirety. All other previous communications between Company and Customer either verbal or written are also abrogated. No amendment, modification or waiver of, or consent with respect to any provision of, this Agreement shall be effective unless the same shall be in writing and signed and delivered by both Parties and then any such amendment, modification, waiver or consent shall be effective only in the specific instance and for the specific purpose for which given and shall not be deemed a waiver with respect to any subsequent default or other matter. The captions and headings appearing in this Agreement are inserted merely to facilitate reference and shall have no bearing upon the interpretation of the provisions contained in this Agreement.

**IN WITNESS WHEREOF,** the Parties have executed it by their duly authorized officers as of the date first written above.

BLANDIN PAPER COMPANY

By: ________________________________
Scott Juidici
Title: General Manager

ALLETE, Inc.

By: ______________________________

Alan R. Hodnik

Title: Chairman, President and Chief Executive Officer

MINNESOTA POWER

By: ______________________________

Franklyn L. Frederickson

Title: Vice President – Customer Experience

Blandin Paper Examples of Increases and Decreases in Service Requirements

Minimum Service Requirement: **[TRADE SECRET DATA EXCISED]**

IPS: Available when demand nomination is **[TRADE SECRET DATA EXCISED]** or greater

Maximum Replacement Amount is Accredited Capacity of Rapids Energy facilities divided by 1.15 = **[TRADE SECRET DATA EXCISED]** for these examples.

Base Electric Supply is the sum of the Service Requirement in a month plus the Maximum Replacement Amount. IPS is available only when the Service Requirement nominated is greater than or equal to **[TRADE SECRET DATA EXCISED]**. Otherwise the total demand cannot exceed the Base Electric Supply.

Nomination Periods: Jan 1 - Apr 30 nomination due by December 1
May 1- Aug 31 (summer) nomination due by March 1
Sept 1- Dec 31 nomination due by August 1

- Nomination reduction of up to **[TRADE SECRET DATA EXCISED]** on a monthly basis by providing Company with written notice by the first business day of the prior month in which the decreased Service Requirement is required.
- REC is Rapids Energy Center, RFPS is Replacement Power Service and IPS is Incremental Production Service

Example 1: Uniform Nomination Period Increase

- By March 1, Blandin Paper nominates **[TRADE SECRET DATA EXCISED]** for the May 1 - August 31 nomination period.

**[TRADE SECRET DATA EXCISED]**

| | | |
|---|---|---|
| Demand: | First **EXCISED** | Firm Demand |
| | Next **EXCISED** | Excess Demand |
| Energy: | First **EXCISED** | Firm Energy |
| | **EXCISED** | Economy, RFPS, IPS or Excess Energy depending upon REC Generation availability and total Mill Load |

**EXHIBIT A**

Example 2: Uniform Nomination With Service Requirement Decrease during Nomination Period

- By August 1, Blandin Paper nominates **[TRADE SECRET DATA EXCISED]** for the Sept-Dec Nomination Period.
- By October 1, Blandin Paper notifies Minnesota Power in writing that Blandin Paper is nominating down 4 MW to **[TRADE SECRET DATA EXCISED]** for Nov 1 -Dec 31.

**[TRADE SECRET DATA EXCISED]**

| | | | |
|---|---|---|---|
| Demand: | Sept-Oct | First **EXCISED**: | Firm Demand |
| | | Next **EXCISED** | Excess Demand |
| | Nov-Dec | First **EXCISED** | Firm Demand |
| Energy: | Sept-Oct | First **EXCISED** | Firm Energy |
| | | **EXCISED** | Economy, RFPS, IPS or Excess Energy depending upon REC Generation availability and total Mill Load |
| | Nov-Dec | First **EXCISED** | Firm Energy |
| | | **EXCISED** | Economy, RFPS, IPS or Excess Energy depending upon REC Generation availability and total Mill Load |

Example 3: Non-Uniform Nomination Period Increase

**[TRADE SECRET DATA EXCISED]**

- By December 1, Blandin Paper nominates: **EXCISED** for January;
  **EXCISED** for February – March;
  **EXCISED** for April**]**

**[TRADE SECRET DATA EXCISED]**

| | | | |
|---|---|---|---|
| Demand: | Jan | First **EXCISED**: | Firm Demand |
| | | Next **EXCISED** | Excess Demand |
| | Feb-Mar | First **EXCISED** | Firm Demand |
| | | Next **EXCISED** | Excess Demand |
| | Apr | First **EXCISED** | Firm Demand |
| Energy: | Jan | First **EXCISED** | Firm Energy |
| | | **EXCISED** | Economy, RFPS, IPS or Excess Energy depending upon REC Generation availability and total Mill Load |
| | Feb-Mar | First **EXCISED** | Firm Energy |
| | | **EXCISED** | Economy, RFPS, IPS or Excess Energy depending upon REC Generation availability and total Mill Load |
| | Apr | First **EXCISED** | Firm Energy |
| | | **EXCISED** | Economy, RFPS IPS or Excess Energy depending upon REC Generation availability and total Mill Load |

Example 4: Non-Uniform Nomination Period Increase / Service Requirement Increase During a Nomination Period

**[TRADE SECRET DATA EXCISED]**

- By December 1, Blandin Paper nominates: **EXCISED** for January;
  **EXCISED** for February – March;
  **EXCISED** for April
- Blandin Paper notifies Minnesota Power before February 1 requesting **[TRADE SECRET DATA EXCISED]** for Feb 1 – Mar 31

**[TRADE SECRET DATA EXCISED]**

| | | | |
|---|---|---|---|
| Demand: | Jan | First **EXCISED** | Firm Demand |
| | | Next **EXCISED** | Excess Demand |
| | Feb-Mar | First **EXCISED**: | Firm Demand |
| | | Next **EXCISED** | Excess Demand |
| | Apr | First **EXCISED** | Firm Demand |
| Energy: | Jan | First **EXCISED** | Firm Energy |
| | | **EXCISED** | Economy, RFPS, IPS or Excess Energy depending upon REC Generation availability and total Mill Load |
| | Feb-Mar | First **EXCISED** | Firm Energy |
| | | Next **EXCISED** | Excess Energy |
| | | **EXCISED** | Economy, RFPS, IPS or Excess Energy depending upon REC Generation availability and total Mill Load |
| | Apr | First **EXCISED** | Firm Energy |
| | | **EXCISED** | Economy, RFPS, IPS or Excess Energy depending upon REC Generation availability and total Mill Load |

<u>Example 5:</u> Uniform Nomination / Measured Demand in Excess of Established Service Requirement

- By December 1, Blandin Paper nominates **[TRADE SECRET DATA EXCISED]** for the January 1 - April 30 nomination period
- Blandin Paper sets **[TRADE SECRET DATA EXCISED]** demand in March (including REC generation) without notification prior to March 1. This exceeds the Base Electric Supply of **[TRADE SECRET DATA EXCISED]** of Service Requirement, **[TRADE SECRET DATA EXCISED]** of Maximum Replacement Amount and **[TRADE SECRET DATA EXCISED]** of IPS allowance) so Blandin Paper will be ratcheted by the **[TRADE SECRET DATA EXCISED]** through April

**[TRADE SECRET DATA EXCISED]**

| | | | |
|---|---|---|---|
| Demand: | Jan-Feb | First **EXCISED** | Firm Demand |
| | Mar-Apr | First **EXCISED** | Firm Demand |
| | | Next **EXCISED** | Excess Demand |
| Energy: | Jan-Feb | First **EXCISED** | Firm Energy |
| | | **EXCISED** | Economy, RFPS, IPS or Excess Energy depending upon REC Generation availability and total Mill Load |
| | Mar-Apr | First **EXCISED** | Firm Energy |
| | | Next **EXCISED** | Excess Energy |
| | | **EXCISED** | Economy, RFPS, IPS or Excess Energy depending upon REC Generation availability and total Mill Load |